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COMMONWEALTH OF VIRGINIA
COUNTY OF FAIRFAX



JEFFREY C. MCKAY
LEE DISTRICT SUPERVISOR

Board Matter

Chairman Bulova
Supervisor McKay
Supervisor Gross
Supervisor Foust
Supervisor Herrity
Supervisor Smyth
Supervisor Hudgins
Supervisor Frey
Supervisor Hyland
Supervisor Cook

January 12, 2010

Background:

The composite index of local ability-to-pay (LCI) is the measure used to determine the state and local shares of K-12 education costs, and is based on data derived from local sources of revenue (adjusted gross income, taxable retail sales, and true value of real property). The County's LCI is scheduled to drop from .76 to .71, as a result of the difficult economic times the County is facing and reflecting the County's decreased "ability to pay" for K-12 education. As a result, the County would receive nearly 29 percent funding from the state, rather than the 24 percent it receives now.

Because the LCI divides state funding among localities, every biennium some divisions receive a greater percentage of state aid than they did in the previous biennium and some divisions receive less. While the LCI formula is imperfect, and is by no means a perfect measurement of wealth or ability to pay, it has at least been consistently implemented and relied upon. The LCI is counted on by local governments and school divisions every two years to plan their budgets and the receipt of state aid.

However, Governor Kaine has proposed deferring the composite index update until FY 2012. The Governor indicated that his decision to maintain the existing composite index for one year was an effort to protect the 97 local school divisions who would have lost funds under the new calculation; however, this single action penalizes Fairfax County and other Northern Virginia localities, as this delay will cost the County alone approximately \$61 million, and will cost Fairfax, Loudoun and Prince William Counties combined a total of over \$118

million. It is also important to note that Fairfax County and the other 30 localities who would be hurt by the deferral of the composite index update comprise 465,000 pupils, or 38 percent of the public school children in Virginia (Fairfax County is 169,000 school children). When you add in the localities who are not affected at all by this change in composite index (because they are already at the maximum composite index level), 509,000 or 42 percent of school children in the state are either hurt or do not benefit from this change.

Eliminating the freeze on the LCI for FY 2011 will require a coordinated effort with the school system, other localities, the business community and the County's General Assembly delegation. These outreach efforts are currently underway, and we have already received positive feedback from many members of our General Assembly delegation, and the business community (today the Northern Virginia Technology Council voted to support the Board's efforts to overturn the recommended freeze).

Motion:

Therefore, I move that the Board take the following actions:

- Adopt the following position statement to be conveyed to the Fairfax County School Board for a joint position, included at the bottom of this Board Matter, expressing strong opposition to this change.
- Send a letter to the Governor-elect expressing our objections, and direct staff to continue to coordinate efforts with the School Board and to advocate the Board's position with the County's General Assembly delegation, other localities, the business community and other interested organizations in support of the Board's strong objection to freezing the composite index for FY 2011.
- Direct the County Attorney to work with Fairfax County Public Schools' counsel to look at any legal recourse available if this freeze is adopted by the Commonwealth.
- Raise this issue for consideration at the next meeting of the Northern Virginia Regional Commission.

Statement:

Strongly oppose the arbitrary delayed implementation of the routine biennial re-benchmark update to the 2010-2012 Local Composite Index (LCI) contained in the executive budget. While imperfect, the Local Composite Index has been the Commonwealth's accepted measure of local ability to pay for K-12 education. State K-12 funding formulas must be implemented consistently, fairly and equitably, so all localities benefit from their partnership with the Commonwealth. Though this proposal disproportionately penalizes many Northern Virginia localities in the current year, this breach of trust will be felt by urban, suburban and rural localities throughout the Commonwealth both now and into the future.

